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JAPAN AND SHIPS

BY M. TOGO

THE attitude of Japan in the Great War has not been hid under a bushel. From the very first our people have not only talked about doing their duty, but they have done it to the best of their ability. Perhaps no stronger declaration of this purpose and resolution has been made than that contained in the contribution made by Viscount Ishii to the book issued on behalf of all the Allies. In this carefully prepared utterance he said:

As we see our duty, and the duty of the world, only one thing is left to do. It is to fight out this war which neither we nor any other people or nation, other than the aggressors, have sought. It must be fought to the end without wavering, without thought of national or individual advantage. The victors are to be victors for civilization and the world; not for themselves. The contest upon which we are unitedly engaged will not only end this war, upon its result will depend the extinction of all wars of aggression. No opportunity must ever come again for any nation or people, or any combination of nations or peoples, however strong or numerous, to seek that universal domination shown by experience to be impossible, which, if it were possible, would mean the destruction of human progress.

We are proud to be associated with America as Allies in so great a cause. Our duty thus keeps pace with our obligation and both are guided by our highest desires. We, like you, have enlisted until the war is settled and settled right; you, like ourselves, have no favors to ask, and neither seeks conquests or indemnities; both merely ask that they may live their own lives, settle their own problems, smooth out their common differences or difficulties, and do their best, along with all other peoples, to make the world a better, not a worse, place to live in.

In our relations with the United States we have tried to do our duty, not only in the war, but in everything else that shows our friendship. We have just completed with that country a satisfactory agreement assuring the territorial integrity of China. We have kept faith in the so-called gentleman's agreement entered into years ago in respect to

the immigration of Japanese labor. It has been our practice, and it is our purpose, to respond quickly and generously to all fair business proposals, and we insist that we ought not to be asked to consider any others.

It is for these and many other reasons we feel that the urgent need of the United States to increase her tonnage should lead her to utilize the shipyards of Japan for the benefit, not only of the two countries directly involved, but for that of all the Allies as well. These shipyards are ready for work. The labor is there, well trained, well paid. With a supply of materials it can build each year a million tons of new ships. Nobody, at the present time, can predict when this war will end, or what the economic conditions will be when it is over. There is nothing so clear as the fact that if the ships are built now they will help win the war, and the universal opinion is that in no other way can it be won.

During the two years previous to the entry of the United States into the war, the great shipbuilding companies of Japan made contracts with American manufacturers for the steel plates and shapes necessary for constructing a large tonnage of ships for the use of the Allied nations and their citizens. These contracts were taken at prices fair to builders and buyers and remunerative and satisfactory to both American capital and labor. The material involved amounted to from 250,000 to 400,000 tons of plates, shapes and angles, and provided for continuous delivery during the years 1917 and 1918. Under them, a number of ships varying from 5,000 to 10,000 tons each have been built by Japan and delivered to English and French buyers, while like commitments have been made with the same class of purchasers for further ships. They are not reserved for Japanese or any other specific buyers; they are built under contract, or, when ready, are sold to the first comers among the representatives of the Entente Allies.

This absolute free trade in ships, if the United States had fulfilled her contracts made before her entry into the war, would have thrown the new vessels thus built into the balance against German submarine frightfulness, and that, too, with a promptness that could not have been commanded elsewhere. The Japanese yards did not have to be put in order for work; they were already thoroughly equipped with up-to-date facilities, with highly trained labor, with ample capital, all ready to act without delay. The Shipping Board has

done magnificent work in repairing damaged ships and diverting others into the most useful channels, but its weakness has been in the production of new tonnage. If the United States had carried out her contracts with Japan all the resources of these great Japanese shipbuilding establishments would have been utilized to build new tonnage and strengthen the Allies on their weakest side: ships.

But about six months ago, intimidated by the prospective needs of the gigantic American shipbuilding programme, Congress authorized, and the President proclaimed an embargo on the export to Japan of steel plates and shapes for shipbuilding purposes. This action closed the opportunity to supplement promptly, through the Japanese shipbuilding resources, the production of ships for the use and directly under the control of the Allied Governments. Although it has become apparent that the United States produces far more steel than can be utilized in her own programme, and could let Japan have the steel contracted for, and much more besides, without jeopardizing American interests in any way, the embargo has been in force ever since.

Japan had anticipated her own needs and those of her Allies by making contracts in the United States for the steel necessary to complete vessels aggregating more than a million tons. At the present time, six months after the embargo was laid, Japanese shipbuilders are closing their yards and sitting idly by, with partly finished and therefore useless ships on their ways, and new construction made impossible while the whole world is clamoring for tonnage.

Economic pressure, according not only to the Japanese but to prominent steel men in the United States, will shift every ship built by any of the Allies into those waters where it is most needed to carry out their purposes and resolves. It will do it with that celerity which characterizes these high-pressure war times and the necessities of a world situation. The United States is engaged in the war as an ally of Japan, as a matter of fact, if not by formal agreement, and the two countries are working together for a common end, the quick, assured and effective defeat of the Germans and their Allies. The embargo was laid to protect the United States from neutrals and enemies. All additions to ship tonnage by any of her Allies are direct benefits to her, and to all, and will help her to win the war.

But Japan has not waited for economic pressure to shift

any ships to where they will do the most good. The tonnage of Japanese ships which traverses the submarine zone and reaches European Allied ports regularly is well over 200,000, and, in addition, 100,000 tons are chartered to Great Britain and France and are carrying coal and supplies between these two countries. More than 25,000 tons of shipping sailing under Japanese registry have already been lost by bombs, torpedoes or mines, and Japan is continuing to pay a steady toll for risking her ships in the Allied cause. In addition to policing the Indian and Pacific Oceans, Japan is at present effectively helping to patrol the Mediterranean, and is caring for the Allies' interests at Vladivostok.

There are 113 shipways for ships of over 1,000 tons standing idle, or about to become so, in Japan, and at last reports twenty-eight new big ways were in course of construction and scheduled to be finished by January of this year. In 1914, when the war broke out in Europe, Japan could build, at most, 200,000 tons of ships a year. Her annual capacity at present, if steel is available, is more than 1,000,000 tons a year! Since the outbreak of the war the tonnage of Japanese shipping actually put into the water up to September, 1917, when the American embargo seriously curtailed the output, has been nearly 600,000 tons. In 1914 the tonnage launched was 65,140; in 1915 it was 98,212; in 1916 it was 251,484, and up to September, in 1917, it was 158,860 tons, with many uncompleted ships standing on the ways, unable to be launched for the lack of a few plates.

The total investment in shipbuilding yards in Japan is 64,215,500 yen, or about \$32,107,500. The total capital invested in Japanese steamship companies is 269,734,000 yen, or, approximately, \$134,867,000. There are twenty-nine steamship companies in Japan, five of which are subsidized.

The total merchant marine of Japan numbers 2,133 ships of all descriptions, with a total tonnage of 1,577,025. The chartered bottoms, however, bring the total tonnage up to about 2,000,000. In addition, Japan is trying to complete her elaborate shipbuilding programme. Her yards received orders last year for 370 new ships, of an aggregate tonnage of 1,330,000. They accepted these orders depending upon the United States for their supply of raw material. Ships aggregating 500,000 tons are now on the ways. After all available resources are exhausted, 60,000 tons of steel plates and shapes will be lacking to complete these ships. The

burning question in Japan to-day is how to secure this balance of 60,000 tons needed to complete ships now on the ways and to clear these ways for the balance of 830,000 tons which Japan is prepared to add this year to the world's available tonnage if she can secure the raw materials.

If the United States could not produce more than enough steel for her own use, she could not supply any to Japan. But actual production does not mean total capacity, and into this question enters the fact that the United States Government is doing things in a gigantic way, and its negotiations are almost exclusively with the largest producers of steel. There is an immense capacity in the smaller steel mills which has not been even touched. In fact, the embargo and the price agreements of the Government with the larger producers have combined to make profitable foreign trade impossible for them. Moreover, the large steel mill owners of the United States have assured the War Industries Board of a sufficient supply of steel for all Government needs.

Getting down to actual figures, the annual production of steel of the kind which can be used for shipbuilding purposes in the United States is 3,500,000 tons. Deducting 700,000 tons, or 20 per cent, for a margin of safety, this leaves even then 2,800,000 tons. The United States Government's requirements to carry out the programme of building in eighteen months 6,000,000 tons of ships, or 4,000,000 tons in a year, not all of which will be of steel, will be approximately one-third of the steel ship tonnage, or about 1,864,000 tons a year.

Why, then, when there is crying need of an ever-increasing procession of ships to Europe from the United States for the movement of American armies, of munitions for their use, and of supplies for their maintenance, has not the United States licensed the export of steel to Japan in sufficient quantities at least to enable the Island Empire to complete the ships now standing on her ways? The answer is that the United States has been bargaining for a greater proportion of the existing Japanese tonnage than Japan can afford to give, and this at a critical period when time is the very essence of the contract. By prolonging the negotiations at Washington in order to secure a little additional tonnage now, the Shipping Board is preventing Japan from building an immense tonnage, so that she could supply in six months or a year a much greater tonnage than that demanded now. And

six months have already been consumed by the negotiations.

"That after months of negotiations," said the *New York Tribune*, of January 6th, "nothing has come of the Japanese effort to raise the embargo on American iron and steel contracted for by Japan is really a disaster for both nations, as well as for the Allied cause. It means that the United States will have some hundreds of thousands less new tonnage in 1918, and it means the paralyzing of the shipbuilding industry in Japan."

Japan is willing to put every ton she can spare where it will do the most good in the war against Germany. The Japanese shipyards do not have to be put in order to work; they are already equipped. Where the United States may face a shortage of labor trained for this kind of work, Japan has highly skilled labor ready to work if it can be held together. This will prove a difficult, if not impossible task, however, if the Japanese shipyards must remain shut down. In the meanwhile, the various States are just beginning to report their enrollments in the volunteer army of 250,000 shipbuilders which the United States is raising, Iowa being the first to report.

Part of the Japanese shipping programme is the maintenance of her Pacific trade necessary to her national existence, since she, like England, must import vast quantities of food and other commodities. Part of it is the transportation of grain for foodstuffs from Australia and South America to Europe, thus relieving the pressure on American markets for food supplies to the Allies. Some part must be devoted to the exchange of products with the United States which amounted in the year ending June 30 last to \$333,599,667—\$130,472,189 exports from the United States and \$203,127,478 imports from Japan. Finally, Japan had to replace in the same way the large tonnage from other countries which formerly carried goods to and from Japan, but is now diverted to the transport of troops and munitions for the war.

Four proposals have so far been exchanged between the United States and Japan. The first Japanese suggestion was that the United States raise the embargo to the extent of letting Japan have 600,000 tons of steel on the condition that the major part of the 1,200,000 tons of ships that Japan then proposed to build should be placed at the disposal of the Allies. This programme, however, contemplated too long

a time, so all programmes were postponed, causing delay.

Japan then proposed that if the United States would give her 450,000 tons of steel—150,000 in 1917 and 300,000 this year—she would in return supply the United States with 150,000 tons of ships in 1917, and a tonnage of 750,000 between January, 1918, and September, 1919. During that period Japan expected to build with American material not less than 1,350,000 tons, retaining 600,000 tons for her own purposes and for the other Allies. The United States again refused, and made a counter-proposal.

The counter-proposal was that beginning with last November, Japan should deliver to the United States 1,000,000 tons of ships at the rate of 100,000 tons a month for ten months, the Shipping Board to pay for them at the rate of \$170 a ton and Japan to be allowed to receive the 450,000 tons of steel she had contracted for. This meant that most of the million tons to be sold to the United States would have to come out of shipping already afloat, as by September, 1918, the Japanese could not build more than 300,000 or 400,000 tons out of the American material. Moreover, \$170 a ton from the United States for ships for which British shipping men were willing to pay as much as \$400 a ton did not look very attractive.

Japan's latest proposal was that she would turn over 150,000 tons of existing ships to the United States, and between that time and next August 200,000 tons more, built from American material, if America would supply her with only 175,000 tons of steel, from which a total of 525,000 tons of ships could be built. This proposal was accepted by the United States, subject to the conditions that none of the existing ships should be less than seven years old, and that the price should be \$170 a ton for existing ships and \$200 a ton for new ships.

This would have made the average price received by Japan for these 350,000 tons of ships \$187, against the British offer of \$400 a ton, and would have thus entailed a sacrifice of \$213 a ton, or a total of \$74,550,000. The 175,000 tons of steel which the United States agreed to supply under these onerous conditions would suffice to build 525,000 tons of ships, but as Japan had to part with 350,000 tons of ships to secure the steel, the net addition to Japanese bottoms would have been only 175,000 tons. At this time when few foreign ships are visiting Japanese shores, Japan is sadly in

need of bottoms, and she rejected the proposal on the score of both expediency and the financial sacrifice she would be forced to make. There the negotiations have rested for the present, while Japan is making desperate efforts to develop her own steel industry and the mines of China, and to contract for such raw materials as are available from South American countries.

Japan needs ships. The world needs ships. Japan has the facilities to build a million tons of ships a year. She has the trained labor. She lacks the raw material—the steel plates and shapes. Until the entry of the United States into the war American steel was relied upon to enable Japan to build her ships. Japan does not manufacture the same articles as the United States. She has not the same raw materials to export. In view of America's gigantic shipbuilding programme she will not for decades, if ever, have or need as large a merchant marine as the United States.

At the present juncture, Japan could charter her whole merchant marine to her Allies, if this were possible, without starving her people and ruining her trade. But because she cannot give her Allies a greater proportion of her ships now they are in effect refusing to allow her to build more ships, which she could put into their service. The Japanese do not understand why, if ships are invaluable, the United States is wasting time making them propositions which no nation could or would accept, thus paralyzing their shipbuilding industry. They do not understand why, if there is co-ordination of effort among the Allies, England is bidding more than twice as much as the United States for Japanese ships. It is true that Japan cannot build ships rapidly without American steel, but she has offered to sacrifice 50 per cent. and more of the market price of the ships to get the steel, and has been unable to get even the steel contracted for before the United States entered the war, although this Government has admitted that it has this much surplus steel and it should be delivered to Japan as a matter of equity and moral right.

Neither the authorities nor the people of Japan can understand why in this crisis of the world's fate, when, as universally admitted, everything depends upon ships, there should be any resort to bargaining or dickering, or, indeed, to any policy except that which under the operation of the greatest speed and efficiency, produces the necessary ships.

M. Togo.